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# THE WAR AND FRENCH FINANCE

BY EDOUARD JULHIET

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THE ties which have for more than one hundred and fifty years bound the great republics of America and France have been, up to the present time, ties of friendship, sentiment and common political ideals. One of the results of the present European War has been the creation of economic bonds: American bankers are lending France billions of dollars; American factories are working night and day to supply France with their products. A kind of partnership which will last for years is being formed between France and America. Will this very profitable partnership involve corresponding risks to America? Will France, despite her bleeding and her lavish spending, maintain her yet unquestioned financial strength? Will the large investments of the United States in the business of France be well secured by the present and future resources of France?

These are questions to be thoroughly debated between the two partners with facts and figures.

When the war broke out at the end of July, 1914, France was enjoying the greatest economic prosperity, industrial as well as agricultural. It is unnecessary to dwell on the agricultural prosperity, when it is so apparent from annual crops valued at about \$2,200,000,000. But it may be well to remind Americans that France, an agricultural nation until 1870, started between 1870 and 1880 to become an industrial nation, and has in the last thirty years developed her industries in a remarkable way.

Take for example the iron industry which is such an important factor in modern economics. Many Americans will be surprised to learn how well the production of iron ore in France compared with that in Germany:

COMPARATIVE TABLE.

<i>Years</i>	<i>France</i> Million tons	<i>Germany</i> Million tons
1880	2,875	4,245
1890	3,947	7,698
1900	6,050	12,793
1910	15,500	22,455

In thirty years the production of France has increased five times, being the same proportion as the increase of Germany.

In 1880 the coal production of France was nineteen million tons, in 1912, forty-one million tons—an increase of more than 100 per cent. Today France leads in the production of aluminum ore, supplying nearly the entire output of Europe and three-fifths of the world's production.

This activity in mining has given a great impetus to metallurgy. In 1901 the production of cast iron was between two and three million tons. In 1913 it was in excess of five million tons—a large figure for a population of forty millions. In recent years, French manufacturers have particularly developed special and electric steels. The electro-metallurgic furnaces installed in the United States have been of French manufacture. For ten years France has supplied the United States with high grade automobiles, and she was the first to put into practical use the aeroplane invention of the Wright brothers.

During these years that French manufacture and agriculture were prospering, French trade increased also in a remarkable manner, thanks in part to her unusual transportation facilities.

France has an excellent geographical position. Washed by three seas, reaching out towards America beyond the rest of the Continent, towards North Africa and the wealthy Orient, she possesses on these three seas numerous harbors, such as Bordeaux, Cherbourg, Havre, Dunkirk, Saint Nazaire, Brest and Marseilles. All these harbors are being constantly improved for greater efficiency. Inland transportation facilities are equally complete. France has 700 miles of railroad for each million inhabitants as against 600 miles in Germany. France has also a very complete system of highways covering 420,000 miles, giving easy access to the remotest corners of the country and representing an outlay of several hundred million dollars. These roads, once abandoned for the railroads, are now regaining

their value through automobile traffic. As a result of these favorable conditions France's foreign and domestic commerce has become very large. The following figures represent the value of her foreign commerce:

<i>Year</i>	
1890.....	\$1,640,000,000
1900.....	1,761,000,000
1910.....	2,681,000,000
1913.....	2,969,000,000

The relative value of this foreign trade figured per inhabitant amounts to \$74.98 per capita as compared with \$74.02 for Germany and \$42.19 for the United States.

The weak spot in France's foreign commerce is the excess of \$300,000,000 in imports over exports. But this figure is offset by two economic factors which are almost constant. They are the revenue derived from foreign investments and the large sum of more than \$60,000,000 spent annually by tourists in France.

The figures \$567,000,000, the increase of the tax budget from 1870 to 1912, sum up in a striking way the growth of wealth in France. Only a quarter of the sum, approximately \$121,000,000, is derived from new taxes. The balance has been automatically obtained from the increase in taxable property, which means a proportionate increase in public wealth.

But these increases in riches have not changed the French characteristics of economy. France saves annually a billion dollars: 16 per cent. of her income. Most of this sum is invested in securities. In this way the last few years she has been increasing her personal property on the basis of five billion dollars every five years. Today her personal property is undoubtedly worth over thirty billion dollars. The practically untouched riches of France's immense colonial possessions covering more than four million square miles and inhabited by fifty-five million people, must be added to the several elements of her great economic power. A part of these domains, Algeria, Tunis and Morocco, which are more extensive than the United States, is of immediate and great value and promises still greater wealth.

Such is France—prosperous and peaceful—upon whom the heavy mantle of a frightful war has fallen. War has taken by surprise her financiers, manufacturers and mer-

chants. The German banks, warned by their Government several months before the war, had gradually mobilized their resources, whereas the French banks had their money distributed over the whole world. Her manufacturers were not prepared to turn out on a large scale ammunition and war supplies. Her merchants had not laid up stocks of metals, cereals, leather, woolens, meats, etc. So it is fair to ask: What will be the effect of the war that thus took France unawares? How seriously will its losses affect her industries, her agriculture and her finances?

It is interesting to note that only a very small number of French factories have fallen into the hands of the Germans. Even in the North, hardly a quarter of the factories are in the invaded zone. All the great industries of the department of the Loire, of Burgundy, Franche-Comté, Dauphiné—all of the metallurgical factories of Creusot, of the region about Paris, of Normandy, and Brittany, of the Southwest, Centre and Southern France have not been damaged. All the industries of luxuries, the silk factories of Lyons, the textile industries, the jewelry and art object industries of Paris, the porcelain factories of Limoge, are absolutely unimpaired.

The industrial strength of a factory does not lie chiefly in the machinery. Americans know that a factory derives its value much more from its geographical position, its supply of raw materials, its managing staff and its workmen, than from its plant. The working apparatus is a mere tool which is often changed and quickly amortized. In two years a metallurgic plant can be completely refitted at a cost of twenty million dollars and becomes a new plant equipped with the latest improvements. The cost price of steel turned out in such a plant will be fifteen per cent lower than under the old.

Let us admit for the sake of argument that the factories destroyed in the North of France and in the Ardennes have to be rebuilt. This will take two years at a cost of two hundred million dollars (\$200,000,000), and the factories so rebuilt will be new and will produce steel products at a much lower cost than before. Many of the factory engineers have come to America to buy ammunition and machinery. They have learned a great deal in the United States, and this experience acquired here about American

machinery, together with necessity, will all contribute towards making over French industry and will give it a greater impetus than it has ever received before.

The important thing is to have plenty of raw materials of good quality. France is immensely wealthy in iron ore and this is both mined and turned into steel very economically. The last world statistics given at the International Geological Congress at Stockholm in 1910 show the metallurgical iron-ore wealth accurately known and exploitable as follows:

In France .....	3,300,000,000 tons
In Germany .....	3,600,000,000 “
In Great Britain.....	1,300,000,000 “
In United States.....	4,257,000,000 “

Then, too, France has also very rich coal deposits, yielding forty million tons yearly. French coal costs a little more than English coal, but in view of the proximity of the two countries, English coal is easily obtainable for French metallurgy. Moreover, France is well supplied with hydraulic power. Ten million horse power are being used or can be used, and we all know the growing importance of electricity.

Rich in raw materials, its equipment practically unimpaired, French industry will start up again all the more easily because it has money in abundance. On the other hand, French industrial companies are deriving large profits from innumerable war orders, such as ammunition, revictualling, automobiles, clothing, etc. On the other, they have their strong liquid assets to fall back upon. One company reports that it has \$4,500,000 in reserve, and \$5,500,000 for current and working assets after the deduction of outstanding debts. Another company has redeemed \$6,500,000 on a total investment of \$7,500,000 and has in addition to this \$1,200,000 in reserve. Many other industrial companies report similar conditions, especially in the North of France.

One contingency could have endangered this industrial prosperity—the shortage of laborers through a large part of the working population being killed. But this danger was avoided, for it so happened that early in the war many workmen were recalled from the front to be employed in the war industries. Those who have remained in the army are mostly employed in numerous tasks involving little danger, such as repairing arms, shoeing horses, caring for automo-

biles, etc. Others are serving in the artillery where the risks are less than in the infantry.

If we deduct from the 1,200,000 Frenchmen killed or seriously wounded, the colonial troops, white and black—the professional soldiers, the shopkeepers, clerks, “*rentiers*,” teachers, priests, capitalists, all of whom represent about 30 per cent. of the soldiers in the trenches; and if we further deduct the peasants, who represent 60 per cent., we shall find that the proportion of workmen actually in the trenches is barely 12 per cent. It is quite probable that up to the first of January, 1916, the total number of workmen killed and seriously wounded did not exceed 150,000. While these figures are sad and depressing, they are by no means large in proportion to a working population of two and a half millions.

Women are taking the place of men in many lines of work. 25,000 women are employed on the railways and street car lines. At the end of July, 1915, 47,000 women were engaged in the manufacture of munitions, their principal duties being drilling, stamping, cartridge-setting, wrapping and packing.

After the war France will receive many immigrants of the laboring classes. The foreign laborer has always been willing to go to France, where the climate, good food and wine, and the cheerfulness of the people, make a workman's life easy; where French thrift allows a stranger to save without attracting undue attention; where democratic and liberal ideas permit a man to live as he pleases, free from the domination of an arrogant and imperious aristocracy. Every year the workmen of Italy and Spain, where wages are low, have been accustomed to flock to France in large numbers. This immigration will continue to a greater extent after the war. Lastly, we must not forget the strong contingent of workers from the French colonies, more particularly the Arabs from Algeria and Morocco, and the Kabyles, a bronzed and rugged race of mountaineers, who for several years have been working in French factories where they form a strong complement of unskilled labor. They constitute a resource which will prove very valuable and almost unlimited in the future. Thus we see that the scarcity of labor will not be a serious problem for French manufacturers. On the other hand industry will be greatly stimulated by the opening up of new markets. Russia will be closed for a number of years to the Germans; so will Italy, Algeria and Morocco. These

countries already bound to France by so many commercial and political ties, will afford her bigger openings.

French industry is already showing signs of renewed activity. Of 37,380 factories inspected by the Minister of Labor only 51 per cent were working in August, 1914; whereas in July, 1915, 79 per cent were running. The number of operatives, which had fallen in 1914 to 35 per cent of the normal number, because of the general mobilization, had risen in 1915 to 69 per cent. It is true that certain industries have been doing very little work. The textile industry has fallen to 11 per cent of the normal. But the metal, chemical and leather industries have been greatly stimulated by the needs of war. Factories have doubled and tripled their equipment and are showing an activity much above the normal. These facts prove that war, in spite of the ruin it has wrought, cannot have any serious or lasting effect on French industry. Of course, this industry will have to redouble its efforts, but it will be towards a more rapid growth rather than in a struggle for existence. It is very probable that France will enjoy a period of great industrial prosperity, as she did after the war of 1870.

It is in the field of agriculture that France has suffered most, and the damage done there will take longer to repair.

France's agriculture, which covers 75 per cent of its territory and employs 41 per cent of its population, has been badly hurt by the war. But the material or physical injury does not amount to much. The farm buildings destroyed in the North of France by fire and shell will be rebuilt in a few months. The fields which have been torn up by explosions of mines and by miles of trenches can be put in cultivation immediately after the retreat of the enemy. This surprised Richard Harding Davis as he went over what had been battlefields the year before, and he wrote :

To-day the fields are cultivated to the very butts of the French batteries. . . . Where there were vast stretches of mud, scarred with intrenchments, with the wheel-tracks of guns and ammunition-carts, with stale, ill-smelling straw, the carcasses of oxen and of horses, and the bodies of men, is now a landscape smiling with peace and plenty, with miles of growing grain, green vegetables, green turf. The French spirit and nature working together have wiped out the signs of the German raid.

The same miracle—this resurrection of the soil—will be performed wherever the land is free of the enemy. The war



will leave no other trace than humble wooden crosses marking the resting places of the dead.

The use of meat for army rations has not seriously diminished the live stock of the country, for the French army is fed principally upon imported meat. The French herd and flock have been diminished by less than a quarter of their normal number and this loss will be quickly made up. In certain provinces cattle had ceased to increase because there was no more ground left for breeding purposes, but in four or five years, the normal increase in the Charolais and Limousin herds will bring French cattle up to the former number.

While we see that the physical damage inflicted by the war upon livestock, farm buildings and fields is of slight importance, the damage to French agriculture by the death of countless peasants in the battlefield is undoubtedly serious. How many of these humble toilers, so eager for work, always thrifty, working the soil fourteen hours a day, leaving no foot of land uncultivated, will return to their villages? They are the artisans who created the great riches of peaceful France. Their blood will have saved their country, but the country they died to save will suffer bitterly by their loss. Farm labor, which even before the war was scarce, will certainly be insufficient. On some farms all the men will have been killed as in the case of a Poitou family, where the father and three sons died for their country. In many instances the men of the family will return crippled, unable to work and will only be an added burden to their families. Some villages in Burgundy have lost half of their able-bodied men.

Is the situation, then, really threatening for the future of French agriculture? Can it be that this steady and inexhaustible source of national wealth will be crippled for many years to come? The answer is no. The missing peasants will be replaced, the plow will not lie rusting for the lack of hands to guide it, and the reaper will leave the barn as usual when the harvest time comes, even if the owner of the farm is no longer there. Woman will take the place of man. The humble peasant woman of France will be the savior of French agriculture. Every American who has stayed for any length of time in the country districts of France has noted the part played by woman in farming. She is the hardest specimen of womanhood, the first to rise in the morning and the last to retire at night. She is the mistress

of the dairy and the poultry yard, the helpmate of her husband in the more arduous labors of the farm. She manages the finances of the farm, yet she never shuns the coarsest work, and is not afraid of spoiling her hands, or of tanning her face. The French peasant woman has always been able to run the farm unaided, save for such help as the old people and children might be able to give. To this splendid woman France of the next decade will be indebted for keeping intact the riches of the land. This is not a mere dream or conjecture. Last summer, agricultural France was as perfectly cultivated as in times of peace. The furrows were perhaps a little less deep; the weeds were perhaps less scrupulously destroyed, but not an acre of land remained untilled. In the South the vintage went on as usual but the vintagers were women, children and old men working under the direction of the wife of the absent farmer.

It must not be forgotten that there will also be an increasing use of agricultural machinery. It was not so many years ago that the crudest sort of plows were used, the reaping and threshing were done by hand, and the grapes were pressed by the bare feet of boys. Within the last few years all this has changed. Improved plows, threshing machines, mechanical reapers and wine pressers have come into use, and these and other machinery will lessen the need of farm labor, and so compensate for the loss of men. The earnest efforts of the entire agricultural population, the Government, and the large landed proprietors will be required to work such a transformation, but this effort will most certainly be made because the French peasant will never live with even a part of his land uncultivated. The peasants of France have never been deaf to the call of the soil.

Fortunately, the French farmer has to help him, 6,200 agricultural syndicates and 4,100 farming loan associations. These 10,000 local associations are permeated with a genuine spirit of co-operation and have at their disposal valuable resources, and they will do all that is necessary to promote the work of reconstruction on the farm lands of France.

Thus, we see that although the war has been a terrible trial, it cannot endanger French farming. A troublesome period of re-adjustment may be foreseen, but French agriculture will meet this crisis by replacing the peasants who have been killed in the war with women, children, agricultural machinery and with the foreign labor already referred to.

Another aspect of the situation it is not so easy to forecast with accuracy—the financial effect of such a gigantic war. It is simple enough to calculate the present expenditures, but how long will they continue? It is possible, however, to demonstrate that in spite of the immense cost of the war, it is relatively small when compared with the wealth of France. This war has already cost France some six billion dollars, and is being carried on at a rate of about half a billion a month. These are two definite figures on which we can base our calculations. Supposing the war to last until the end of 1916, the total cost to France would be approximately eleven billion dollars. Such an expenditure would represent an annual fixed charge of six hundred million dollars, to which we must add two hundred millions for pensions to mutilated soldiers, widows and orphans, making in all eight hundred million dollars. Before the war France had a national debt of \$6,500,000,000 and an annual expenditure of \$1,100,000,000 (of which \$260,000,000 went toward the public debt). This budget will have to be increased 72 per cent, and new resources will have to be found to meet the additional \$800,000,000, which will represent the new burden the future generation will have to bear. Here the private fortunes of French citizens come into play. There is no clearly defined line of demarcation between the finances of a country and the fortunes of its citizens. The citizens are the associates of the *res publica*, and French citizens are the stockholders of the great corporation which is called France. France will call upon her citizens for an increase in the budget in such proportion as may be necessary. The total annual income of France's citizens is more than six billion dollars, that is to say, the cost of the war for one year. A 12 per cent on the total income, if all the incomes were taxable, would produce the \$800,000,000 which would be necessary to insure the future handling of the war debt and of the war pensions. This percentage of 12 per cent on incomes can be all the more easily borne in view of the fact that the steady increase in the wealth of the country will later allow the rate to be diminished, and also because four-fifths of the war expenses are paid in France itself, one-fifth only being paid to foreign countries.

If necessary France could resort to the system adopted by Germany before the war of taxing not only incomes but also the fortunes themselves. Stocks and bonds alone amount

to more than twenty-eight billion dollars. From ten to twelve per cent of this is invested in foreign securities. By these different means, which can be used simultaneously, the new resources will be obtained. The well known "*rentier*" will pay most of them, for taxation on fortunes will be more and more the rule of French finance.

The foreigner has little idea of the enormous amount of wealth in France because it is so well distributed. Fortunes of moderate size are numerous. Statistics show that 43 per cent of all inheritances are in excess of 2,000 francs, and the appraisals made in 1907, in view of the income tax bill showed that 95 per cent of the private incomes were under 50,000 francs. As a result of being so widely distributed, French wealth may be underestimated abroad, and yet it is very large.

Another source of strength of these savings is the tremendous gold stock which is behind them. The following table shows the quantity of gold for each inhabitant in 1912:

France .....	\$30.02
United States.....	19.39
United Kingdom.....	18.28
Germany .....	14.08

French national wealth rests on this foundation of gold as a solid rock. At the present time, in the midst of war, the Bank of France has more than a billion dollars of gold in its vaults.

Private fortunes have so far been very little affected by the war. A large proportion of the population is being fed either directly or indirectly by the State, and this is in fact one of the largest expenses of the war. The regular allowance for a soldier's family with four children amounts to more than three francs a day, almost a workman's wages in times of peace. The family savings have remained intact. They have even increased, for today everybody is economizing in France. Table board, clothing, entertainments, jewelry, automobiles, servants, art expenditure, all luxuries have either been cut down or done away with altogether.

France can also derive enormous revenues from the creation of Government monopolies. Moreover, in about thirty-five years, between 1948 and 1960, all of the existing railroad concessions will expire and the Government will come into possession of this wealthy system of roads free of all debts

and encumbrances. The value of these roads exceeds four billion dollars, and could be realized now if the Government extended the concessions.

The country is still in its full financial vigor, and the French public stands ready to help by subscribing war loans. Nearly three billions have already been subscribed. A loan issued six months hence would bring forth several billions and another issue later would have the same result. To cover the interest on this war debt, the French citizens will be willing to sacrifice a part of their income; most of this interest will go back to them, since the loan will be entirely subscribed in France.

The French nation will bear the burden of both loans and income taxes without a murmur. France is a highly centralized and democratic country in which every citizen is a shareholder of the State. France is not federated like the United States or Germany. The national debt is high, but the "*départements*," the "*cantons*," and the cities have hardly any debts or expenses. The national budget provides for all the important needs of the country such as roads, canals, courts, prisons, schools, universities, telegraph and telephone service. French citizens are accustomed to supply their Government with funds for all the services. They will now increase this outlay. They will contribute eleven, perhaps fifteen or even twenty billion dollars to get rid of the brutal aggressor who has attacked them so savagely. They depend on these expenditures to insure peace for a long time to come.

In this article I have eliminated from discussion anything which was not based on facts and figures. I have not taken into account contingencies which might be favorable to France when they were mere conjectures. Whatever my personal opinion might be as to the financial outcome of the war, I have made no mention of the possible enrichment of France by the iron and potash wealth of Alsace-Lorraine, nor of the commercial treaties which will be entered into by the Allies for their mutual benefit after the war. I have not mentioned the possibility of limiting armaments, which would each year lessen the budget by three hundred and sixty million dollars normally expended for the army and navy, and which would set free for the pursuit of national prosperity young men who in time of peace spend three years with the colors.

Supported by facts and figures alone I have shown:

That French industry, struck by war in the midst of prosperity, will not be seriously injured, for the reason that only a small part of its equipment has been destroyed, and that its workmen have formed only a small part of the war's casualties. Upon the return of peace, French industry, which has been rapidly growing for thirty years, will continue its progress from where it left off.

That French agriculture, in spite of the great number of peasants killed in battle, will continue its normal production, thanks to women, to foreign labor, and lastly to the more extended use of modern agricultural machinery.

That the cost of the war, in spite of its apparent size, is relatively small when compared with the accumulated and potential wealth of France. All the losses and destruction of property due to the war represent but a small part of the wealth of France, and have not even touched the deep and lasting sources of her prosperity.

France, famous for her love of thrift, a nation which saves a billion dollars every year, a nation which has the highest reputation for performing in the most scrupulous manner all her international obligations, will not fail to retain the confidence of every American.

EDOUARD JULHIET.